

# HEALTH SYSTEM MANAGEMENT

PHARMACY SUPPLY CHAIN 101

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## Pharmacy Supply Chain 101

Four strategies to bring inventory management into the 21st century

Hospitals and health systems are increasingly tapping into a **substantial—but often overlooked—opportunity**: pharmacy supply chain optimization. While the bottom line impact of medication inventory is not lost on the C-suite, many executives are unaware of evolving best practice trends that can positively impact patient care and costs.

In reality, re-engineering of inventory management is long overdue. Technological innovation and better workflow design are improving processes traditionally characterized by manual, error-prone practices and lack of

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visibility into existing inventory. Empowered with the right information at the right time, directors of pharmacy can maximize purchases and enhance patient safety through faster, better decision-making.

This enterprise-wide medication management model is transforming how health systems view the pharmacy supply chain. Data is used to aggregate drugs by demand across facilities, ultimately reducing inventory and waste—a figure that typically accounts for between 1-4% of medication spend in today's health systems.

More important, the right infrastructure and enterprise medication management strategy can improve patient care by promoting more effective response to urgent needs. Real-time visibility into all inventory enables instant identification of medication quantities and locations when shortages occur. In fact, pharmacies are better able to mitigate shortages altogether by identifying enterprise medication use patterns and channeling needed drugs to the right areas.

Enterprise-wide medication management is a move in the right direction for future positioning. Hospitals and health systems looking to capitalize on this proven model can consider the following four strategies for bringing the pharmacy supply chain into the 21st century.

### ENABLE TECHNOLOGY

Effective supply chain strategies start with the ability to answer simple questions such as:

- 1 How much inventory is on the shelves?
- 2 What medications are nearing expiration?
- 3 How many days on hand are available for a particular drug?
- 4 Where can medications at risk of shortage be located?

Unfortunately, the majority of hospitals and health systems lack this basic knowledge due to lack of visibility into inventory across facilities and locations.

The first step to a better pharmacy supply chain begins with the right technological infrastructure. Advanced platforms exist to support enterprise-wide medication management by providing visibility into all systems and devices as well as across hospitals and clinics. Data is captured from disparate systems to provide a real-time view into all medication inventory.

## LAY THE FOUNDATION FOR PERPETUAL INVENTORY

Health systems are embracing perpetual inventory strategies as a proven method for optimizing supply chain. These models ensure that all additions and withdrawals of medications are recorded as they occur, thus providing an ongoing account of existing inventory in real time.

The current challenge to achieving this model is limited inventory visibility that results from manual workflows. When inventory management is limited to walking the shelves and making phone calls to determine what medications exist, pharmacy directors can face notable time and resource obstacles to effectively managing supply.

Therefore, a single view of medication inventory is needed to render information actionable for rational, informed decision making. The most effective approach is to use technology to align all inventories for system-wide management, which enables pharmacy professionals to proactively anticipate changes to supply volumes and streamline inventory controls.

## CREATE PROCESSES TO TRACK PERFORMANCE

Better workflow strategies begin with having the right systems in place, but they don't stop there. As such, pharmacies leveraging an enterprise-wide medication management model find that they must fully leverage critical data available for ongoing analysis. Industry tools can support tracking of such data as days on hand, inventory turns and the scaling of inventory management based on true utilization. In turn, pharmacy and supply chain executives are able to tweak systems to heighten quality and lower costs.

## CONSIDER A CONSOLIDATED SERVICE CENTER STRATEGY

Platforms that support single inventory views are increasing their adoption of centralized pharmacy supply chain management offered through consolidated service centers. These models allow collaborative engagement of pharmacy and supply chain professionals to increase and better manage inventory turns.

For instance, centralized management allows multiple facilities to share slow moving, expensive medications. In contrast, hospital pharmacies working independent of each other must purchase full units of a medication when only a small portion will be used prior to expiration.

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Advocate Health Care, the largest health system in Illinois, realized \$3.9 million in savings during the first year of introducing a shared services approach to pharmacy supply chain management. The savings was not only attributed to better management of supply and demand, but also having broad data available to identify bulk and speculative purchasing opportunities.

It's a new day for pharmacy supply chain. Pharmacies are now better positioned to elevate inventory management processes through infrastructures and tools that improve visibility and help managers make better decisions. When health systems are able to match and control purchases to the needs of an entire network, the positive impacts to the bottom line and patient care are significant.

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